

The Budget Resolution and Spending Legislation

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Summary

The budget resolution sets forth aggregate levels of spending, revenue, and public debt. It is not intended to establish details of spending or revenue policy and does not provide levels of spending for specific agencies or programs. Instead, its purpose is to create enforceable parameters within which Congress can consider legislation dealing with spending and revenue.

The spending policies in the budget resolution encompass two types of spending legislation: discretionary spending and direct (mandatory) spending. Discretionary spending is controlled through the appropriations process. Appropriations legislation is considered each fiscal year and provides funding for numerous programs such as national defense, education, and homeland security. Direct spending, alternately, is provided for in legislation outside of appropriations acts. Direct spending programs are typically established in permanent law and continue in effect until such time as revised or terminated by another law.

The budget resolution establishes congressional priorities by dividing spending among the 20 major functional categories of the federal budget. These 20 categories do not correspond to the committee system by which Congress operates, and as a result these spending levels must be “crosswalked” to the House and Senate committees having jurisdiction over both discretionary and direct spending. These amounts are known as 302(a) allocations and hold committees accountable for staying within the spending limits established by the budget resolution.

Each Appropriations Committee is responsible for subdividing its 302(a) allocation among its 12 subcommittees. These allocations, referred to as 302(b) subdivisions, establish the maximum amount that each of the 12 appropriations bills can spend.

It is inevitable that Members will consider the impact on particular programs or agencies when they consider a budget resolution. While the budget resolution does not allocate funds among specific agencies or programs, congressional assumptions or desires underlying the amounts set forth in the functional categories are frequently communicated through the budget resolution. Report language accompanying the budget resolution, as well as certain provisions in the budget resolution, can sometimes express non-binding programmatic assumptions and desires.

Budget resolutions also often include procedural provisions such as reserve funds or reconciliation instructions. These provisions may also reflect underlying program assumptions or desires of Congress.

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Introduction

The Constitution grants Congress the power of the purse and provides that “No money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law.”¹ It does not, however, establish any specific procedures by which Congress must consider spending legislation. Instead, Congress has developed rules and practices that govern consideration of spending and other budgetary legislation under each chamber’s constitutional authority to “... determine the Rules of its Proceedings.”²

It is under this authority that the procedures in the Congressional Budget Act of 1974 were created.³ The Congressional Budget Act established the basic framework that is used today for congressional consideration of budget and fiscal policy. It provides for the annual adoption of a concurrent resolution on the budget as a mechanism for coordinating congressional budgetary decision making.⁴

The budget resolution creates enforceable parameters with which spending, revenue, and debt legislation must be consistent. It is not a law. It is not signed by the President nor can it be vetoed. Instead, its purpose is to establish a framework within which Congress considers legislation dealing with spending and revenue.

The budget resolution is not intended to establish details of spending or revenue policy. Instead, details of such policy are to be included in legislation reported from the committees with legislative jurisdiction subsequent to the adoption of the budget resolution. All spending or revenue legislation reported from legislative committees, however, is expected to be consistent with the levels and priorities agreed to in the budget resolution.

The spending policies in the budget resolution encompass two types of spending legislation: discretionary spending and direct (or mandatory) spending. Discretionary spending is controlled through the appropriations process. Appropriations legislation is considered annually for the fiscal year beginning October 1. Appropriations legislation provides funding for numerous activities such as national defense, education, and homeland security, as well as general government operations.⁵

Direct spending, alternately, is provided for in legislation outside of appropriations acts. Direct spending programs are typically established in permanent law that continue in effect until such time as they are revised or terminated by another law. The actual annual cost of direct spending is not determined by Congress. It is instead dictated by formulas within the legislation providing for the program. The overall cost of a program depends on the eligibility requirements and benefits set forth in the legislation. These criteria determine who will be eligible to receive benefits and how much benefit they will receive. Only by altering these formulas can Congress adjust how much money will be spent.

¹ U.S. Constitution, Article I, Section 9.

² U.S. Constitution, Article I, Section 5.

³ P.L. 93-344 as amended.

⁴ For more information on the budget process generally, see CRS Report 98-721, *Introduction to the Federal Budget Process*, by Robert Keith.

⁵ For more information on the appropriations process see CRS Report 97-684, *The Congressional Appropriations Process: An Introduction*, by Sandy Streeter.

The Budget Resolution

Content

The budget resolution sets forth levels for new budget authority, outlays, revenue, and public debt for the budget year and four outyears.⁶ The levels in the budget resolution deal with aggregates, not programmatic spending details. Assumptions concerning some major programs may be discussed in the reports accompanying the budget resolution, but these assumptions are not in the form of legislative language and are not binding on the committee of jurisdiction.

Rather than including levels of spending for specific agencies or programs, the budget resolution establishes congressional priorities by dividing spending among the 20 major functional categories of the federal budget.⁷ These 20 functional categories do not correspond to the committee system by which Congress operates. As a result, the spending levels in the 20 functional categories are allocated, or “crosswalked,” to the House and Senate committees having jurisdiction over discretionary spending (appropriations committees) and direct spending (legislative committees). These “crosswalked” totals appear in the joint explanatory statement of the conference report on the budget resolution and are referred to as 302(a) allocations.⁸ These 302(a) amounts hold committees accountable for staying within the spending limits established by the budget resolution.

Programmatic Assumptions

It is inevitable that Members will consider the impact on particular programs or agencies when they consider a budget resolution. Each committee is required to submit its “views and estimates” with information on the preferences and legislative plans of that committee regarding budget matters to help the Budget Committee determine spending levels for each of the functional categories.

While the budget resolution does not allocate funds among specific agencies or programs, assumptions underlying the amounts set forth in the functional categories are frequently discussed in the reports accompanying the budget resolution. For example, the committee print accompanying the budget resolution for FY2009 included the following language:

The Committee-reported resolution assumes approximately \$2 billion for the Department of Energy’s Energy Efficiency and Renewable Energy program. The funding level is \$738 million above the President’s request and would accommodate significant increases for programs such as wind, solar, geothermal, biomass and biorefinery R&D, hydrogen, and vehicle/building technologies. This funding level would also provide \$450 million for the Weatherization Assistance Program, a program which was zeroed out in the President’s budget.⁹

⁶ Under Section 301(a) of the Budget Act, four out-years is the minimum required, although the budget resolution may cover more than four. For example, the budget resolution for FY2002 (H.Con.Res. 83, 107th Congress) covered 10 out-years.

⁷ These amounts are not enforced by points of order. For more information on functional categories see CRS Report 98-280, *Functional Categories of the Federal Budget*, by Bill Heniff Jr.

⁸ These totals are named after Section 302(a) of the Budget Act (Titles I-IX of P.L. 93-344, 88 Stat. 297-332) as amended, which requires that the total budget authority and outlays set forth in the budget resolution be allocated to each House and Senate committee that has jurisdiction over specific spending legislation.

⁹ U.S. Congress. Senate Committee on the Budget. *Committee Print to Accompany S.Con.Res. 70*. 110th Cong., 1st sess. S.Prt. 110-039 (Washington: GPO, 2008) p. 9.

Report language, however, is not binding on the committees with jurisdiction over spending and revenue.

In addition to report language, certain provisions often included in the budget resolution may indicate programmatic assumptions or desires. Budget resolutions frequently include “Sense of the Congress” language expressing the assumptions or desires of one or both chambers for certain programs to receive priority in funding. For example, the budget resolution for FY2010 included language concerning the sense of the Congress on Great Lakes restoration:

It is the sense of the Congress that this resolution recognizes the need to address significant and long-standing problems affecting the major large scale aquatic, estuarine, and coastal ecosystems nationwide. This resolution includes funding for a new interagency initiative to address such regional ecosystems. It also includes funding to work with Great Lakes States, tribes, local communities, and organizations to more effectively address issues prioritized in the Great Lakes Regional Collaborative. This initiative could address issues such as invasive species, habitat restoration and conservation, non-point source pollution, and contaminated sediment. The resolution also supports the President’s proposal to use outcome-oriented performance goals and measures to target the most significant problems and track progress in addressing these ecosystems.¹⁰

Budget resolutions may also include “Policy” statements.¹¹ These statements sometimes include language indicating that spending levels in the budget resolution assume certain policies will be carried out. For example,

It is the policy of this resolution that ...
(5) TRICARE fees for military retirees under the age of 65 should not be increased as the President’s budget proposes;¹²

Neither “Sense of the Congress” provisions nor “Policy” statements are binding on the committees with jurisdiction over spending and revenue.

Budget resolutions often include procedural provisions, such as reserve funds or reconciliation instructions. These provisions often indicate underlying program assumptions or desires of Congress. (Further information on reserve funds and reconciliation instructions is provided below.)

Formulation of the Budget and the Budget Cycle

Federal budgeting is a cyclical activity. The President submits a budget request to Congress early in the calendar year. Congressional committees then hold hearings where they hear testimony from OMB officials, presidential advisors, and agencies who defend the President’s budget recommendations.

Committees then submit their “views and estimates” to the Budget Committee of their respective chamber. A committee’s “views and estimates” provide the Budget Committees with information on the preferences and legislative plans of that committee regarding budget matters within its jurisdiction. House and Senate Budget Committees then consider and report a budget resolution.

The Congressional Budget Act establishes a timetable for the consideration of budgetary legislation. This timetable provides various target dates that reflect when certain actions typically

¹⁰ S.Con.Res. 13 (111th Congress), Sec. 606.

¹¹ S.Con.Res. 70 (110th Congress), Title IV.

¹² S.Con.Res. 70 (110th Congress), Sec. 402.

occur. Once the budget resolution is adopted, chambers may consider appropriations bills and any other spending and revenue legislation consistent with the budget resolution.

Table 1. Congressional Budget Process Timetable

Deadline	Action to be completed
First Monday in February ¹³	President submits his budget.
February 15	CBO submits report to Budget Committees.
Six weeks after President's budget is submitted	Committees submit views and estimates to Budget Committees.
April 1	Senate Budget Committee reports concurrent resolution on the budget.
April 15	Congress completes action on concurrent resolution on the budget.
May 15	Annual appropriations bills may be considered in the House.
June 10	House Appropriations Committee reports last annual appropriations bill.
June 15	Congress completes action on reconciliation legislation.
June 30	House completes action on regular appropriations bills.
October 1	Fiscal year begins.

Source: Sec. 300 of the Budget Act.

Discretionary Spending

The 302(a) allocations made to the House and Senate Appropriations Committees reflect their jurisdiction over all discretionary spending. These allocations hold the appropriations committees accountable for staying within the spending limits established by the budget resolution. In recent years, budget resolutions have also sometimes included explicit spending limits on discretionary spending.¹⁴

Both the House and Senate Appropriations Committees have 12 subcommittees. Each of these subcommittees is responsible for reporting one regular appropriations bill. Sometimes these bills are packaged together in what is referred to as an omnibus appropriations act.

Once an Appropriations Committee has received its 302(a) allocation, it then subdivides the committee allocation among its subcommittees as soon as practicable after the budget resolution has been adopted. These suballocations are known as 302(b) subdivisions.¹⁵ The appropriations committees may make allocations among subcommittees, even if they do not correspond with the levels set forth in the functional categories of the budget resolution. Section 302(c) of the Budget Act provides a point of order against the consideration of any appropriations measures before the Appropriations Committee reports its subdivisions.

The appropriations committees are then required to report these subdivisions to their respective chambers. The appropriations committees may revise the 302(b) subdivisions anytime during the appropriations process to reflect actions taken on spending legislation. If an appropriations

¹³ For information on Presidential budget submission during years of transition, see CRS Report RS20752, *Submission of the President's Budget in Transition Years*, by Robert Keith.

¹⁴ For example, see S.Con.Res. 13 (111th Congress), Sec. 401.

¹⁵ These totals are named after Section 302(b) of the Budget Act which requires that the Appropriations Committees suballocate 302(a) allocations among their respective subcommittees.

committee does adjust the subdivisions among subcommittees, it must inform its respective chamber of the new levels by issuing a new 302(b) subdivision report.

After extensive hearings, each of the subcommittees reports one of the regular appropriations bills to its respective full appropriations committee. Then, the full Appropriations Committee reports the bill to its respective chamber.

Section 302(f) of the Budget Act prohibits consideration of any measure or amendment that would cause the 302(a) or 302(b) allocations to be exceeded. Since appropriations subcommittees usually report their bills at the maximum level of spending, amendments offered to the appropriations bill on the floor are often vulnerable to being ruled out of order since they would cause the spending to exceed the 302(b).¹⁶

This rule, combined with other rules and practices, makes it difficult to rearrange spending priorities within an appropriations bill through amendments on the floor. A separate amendment (or amendments) to reduce spending would need to be agreed upon prior to, or in conjunction with, one that would increase spending for an agency or program in order to offset that increase.¹⁷

Direct Spending

House and Senate legislative committees also receive 302(a) allocations that reflect their jurisdiction over direct spending programs. Any legislation reported by these committees must be consistent with these allocations.¹⁸ As with discretionary spending, Section 302(f) prohibits the consideration of any measure or amendment that would cause the 302(a) allocation to be exceeded.

Reconciliation

Points of order can effectively limit spending that results from appropriations acts or new entitlement legislation to levels consistent with the budget resolution, but are not an effective control on spending that results from existing laws providing direct spending. As a result, Congress has established the reconciliation process as a way to instruct committees to develop legislation to change current revenue or direct spending laws so that these programs conform with policies established in the budget resolution.¹⁹

The reconciliation process is an optional two-stage process in which instructions are included in the budget resolution. Reconciliation instructions are in the form of a directive to a specific

¹⁶ Such points of order may be waived by a special rule reported from the Rules Committee or by unanimous consent in the House. In the Senate, points of order may be waived by unanimous consent or by a 3/5 vote of Senators duly sworn and chosen (60 if no vacancies).

¹⁷ In the House, Rule XXI, clause 2(f) provides that “... it shall be in order to consider en bloc amendments proposing only to transfer appropriations among objects in the bill without increasing the levels of budget authority or outlays in the bill. When considered en bloc pursuant to this paragraph, such amendments may amend portions of the bill not yet read for amendment ... and shall not be subject to a demand for division of the question.” For more information on offsets in the House, see CRS Report RL31055, *House Offset Amendments to Appropriations Bills: Procedural Considerations*, by Sandy Streeter.

¹⁸ When Congress considers new revenue or direct spending legislation, CBO estimates the amount of revenues or outlays that would ensue if the measure were enacted. For revenues CBO uses estimates prepared by the Joint Committee on Taxation. These numbers are then measured against the baseline.

¹⁹ For more information on the reconciliation process, see CRS Report 98-814, *Budget Reconciliation Legislation: Development and Consideration*, by Bill Heniff Jr..

committee to recommend legislative changes. These instructions are specific and include (1) the committee responsible for making the change, (2) the dollar amount of the change, and (3) the period over which this change should be measured. Reconciliation instructions also include a deadline for the committee to submit such recommendations. For example, the budget resolution for FY2006 included the following reconciliation instruction:

- (a) SUBMISSIONS TO SLOW THE GROWTH IN MANDATORY SPENDING- (1) Not later than September 16, 2005, the House committees named in paragraph (2) shall submit their recommendations to the House Committee on the Budget. After receiving those recommendations, the House Committee on the Budget shall report to the House a reconciliation bill carrying out all such recommendations without any substantive revision.
- (2) INSTRUCTIONS-
- (A) COMMITTEE ON AGRICULTURE- The House Committee on Agriculture shall report changes in laws within its jurisdiction sufficient to reduce the level of direct spending for that committee by \$173,000,000 in outlays for fiscal year 2006 and \$3,000,000,000 in outlays for the period of fiscal years 2006 through 2010.²⁰

Many changes in direct spending programs have been a result of reconciliation legislation. For example, the instructions in the above example resulted in Title I of the Deficit Reduction Act of 2005 (P.L. 109-171), a reconciliation act. Other titles of that measure included language to make changes in Medicare (Title V), Medicaid and SCHIP (Title VI), and LIHEAP (Title IX). Similarly, reconciliation acts in other years have included titles making changes in diverse direct spending programs as well.

The reconciliation process begins when Congress includes reconciliation instructions in a budget resolution directing one or more committees to recommend changes in current law to achieve the levels of direct spending, revenues, or the debt limit agreed to in the budget resolution. Committees respond to these instructions by drafting legislative language to meet their specified targets. The legislative language recommended by committees is packaged “without any substantive revision” into one or more reconciliation bills by the House and Senate Budget Committees. If only a single committee is instructed to recommend reconciliation changes then those changes are reported directly to its respective chamber. Once reported, reconciliation legislation is considered under special procedures on the House and Senate floor.

Reserve Funds

Spending allocations may be revised subsequent to the adoption of the budget resolution if provided for in the budget resolution. Congress frequently includes provisions referred to as “reserve funds” in the annual budget resolution, which provide the chairs of the House and Senate Budget Committees the authority to adjust the committee spending allocations if certain conditions are met. Typically these conditions consist of legislation dealing with a particular policy being reported by the appropriate committee or an amendment dealing with that policy being offered on the floor. Once this action has taken place, the Budget Committee chairman submits the adjustment to his respective chamber.

Reserve funds frequently require that the net budgetary impact of the specified legislation be deficit neutral. Deficit-neutral reserve funds provide that a committee may report legislation with spending in excess of its allocations, but require the excess amounts be “offset” by equivalent amounts. The Budget Committee chairman may then increase the committee spending allocations

²⁰ H.Con.Res. 95 (109th Congress), Sec. 201.

by the appropriate amounts to prevent a point of order under Section 302 of the Budget Act. For example, the budget resolution for FY2009 included the following language providing for a

deficit-neutral reserve fund concerning San Joaquin River restoration and Navajo nation water rights settlements:

In the House, the Chairman of the Committee on the Budget may revise the allocations, aggregates, and other appropriate levels in this resolution for any bill, joint resolution, amendment, or conference report that would fulfill the purposes of the San Joaquin River Restoration Settlement Act or implement a Navajo Nation water rights settlement and other provisions authorized by the Northwestern New Mexico Rural Water Projects Act by the amounts provided in such measure if such measure would not increase the deficit or decrease the surplus for the period of fiscal years 2008 through 2013 or for the period of fiscal years 2008 through 2018.²¹

Reserve funds are not always required to be deficit-neutral. They may, instead, allow the levels of spending set forth in the budget resolution to be exceeded, as long as the policy legislation meets the conditions of the reserve fund. In some instances, the increases authorized by a reserve fund are limited to specified amounts.

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²¹ S.Con.Res. 70 (110th Congress), Sec. 216.